

STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF MANAGEMENT SERVICES
BUREAU OF FISCAL SERVICES

ACCOUNTING POLICY

TOPIC: Audit 2.0	EFFECTIVE DATE: 3/14/83
TITLE: Disallowance Reporting and Control	REVISION DATE: 10/31/92
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BACKGROUND

Uniform policies are needed for the handling and monitoring of disallowance and deferral notices received from federal agencies. Mechanisms are necessary to ensure that all notices promptly come to the attention of all appropriate offices in order to resolve the disallowance and prevent a recurrence if possible.

POLICY

The Bureau of Fiscal Services (BFS) will be the central coordinating point for all disallowance and deferral notifications received by the Department. BFS will maintain an inventory record of all disallowance and deferral notices and ensure that the responsible division is involved in preparing timely responses. Unless otherwise designated by the division administrator, the single point of contact within the divisions will be:

Office of Human Services Aids Administration in the Division of
Community Services,
Bureau of Management and Operations in the Division of Economic Support,
Office of Management and Policy in the Division of Health,
Bureau of Operations and Planning in the Division of Vocational
Rehabilitation,
Management Services Section in the Division of Care Treatment and
Facilities.

Section 16.544, Statutes, requires the Department of Administration (DOA) and the Joint Committee on Finance be notified of all federal aid disallowances and the method proposed to settle each disallowance. The DOA is also to be provided with quarterly reports on the status of all federal aid disallowances and must approve all settlement proposals before final action is taken.

BFS will also develop related reports and information as required by the Office of the Secretary.

PROCEDURES--DISALLOWANCE AND DEFERRAL NOTIFICATION CONTROL

1. The Director of the BFS, or designee, will serve as Department Coordinator for such notices.

2. Each division contact point will maintain an inventory of notices for the division that will be compared with the BFS inventory at the end of every quarter. The division contact point is responsible for comparing those records and identifying variations, if any.
3. The division contact point will make internal distribution and coordinate responses in accordance with procedures established by the respective divisions.
4. Every disallowance and deferral notice received elsewhere in DHSS will be forwarded to the coordinator in BFS within twenty-four hours of receipt.
5. Whenever practical, all routing of disallowance and deferral notifications, and drafts of responses thereto, will be by hand carrying in order to ensure compliance with time limits.
6. The Department Coordinator shall:
 - a. Forward a copy of the notice to the appropriate division contact, the monitoring accountant, the Office of Legal Counsel (OLC) and such others as deemed necessary.
 - b. Coordinate responses with program managers, monitoring accountants and others as necessary to ensure that they are submitted within time limits established by federal authorities over signature by the authority to whom the notice was addressed.
 - c. Based on criteria established by the Office of the Secretary, draft a joint DMS and program division notification for that office on significant disallowances, deferrals and associated issues or reports as required.
 - d. Index and record all notices on a format designed to disclose pertinent information such as date of receipt, routing, cause of disallowance or deferral, action taken (referral to legal counsel, etc.) and disposition (including dates of the various actions as needed). Divisions should establish their own internal records and controls.
 - e. Consult the Office of Legal Counsel (OLC) as necessary to determine if valid substantive evidence is available when challenges of disallowances are contemplated. The Office of Legal Counsel will be consulted immediately whenever an appeal to the Grant Appeals Board, or other appeal process involving a federal hearing, is contemplated, so that Legal Counsel can directly request or assist in requesting representation by the Department of Justice. (Requests to federal offices for administrative reconsideration of disallowances do not involve hearings and do not require representation by the Department of Justice.)

- f. Determine what interest or other penalties may be incurred as a result of appeal or legal challenge in conjunction with the program division as necessary.
- 7. Final copies of responses should be filed with BFS, the division involved and the Office of Legal Counsel.
- 8. Fiscal consequences of any disallowance, deferral or audit which are final will be reviewed by BFS in conjunction with OPB. The necessary adjustments to accounts and appropriations will be recommended to the Office of the Secretary. Disallowance or preliminary audit exception up to \$20,000 may be resolved directly between BFS and the Division's fiscal unit.

PROCEDURES FOR FEDERAL DISALLOWANCE REPORTING

- 1. As stated in **AUDIT 1.0**, copies of all audit reports of DHSS organizations will be filed both with the Secretary's Office, Office of Program Review and Audit, and with the Office of the Administrator, Division of Management Services, within twenty-four hours of their receipt by the auditee.
- 2. Within twenty-four hours of receipt, a notice with an excerpt from an audit report or a copy of other correspondence showing a federal disallowance will be filed by the program division with the Director, Bureau of Fiscal Services. The notice includes required information as listed below for use by BFS.

!	Date Received
!	Division
!	Program Title (Name)
!	Appropriation
!	Project Number (if applicable)
!	Amount of Disallowance
!	Federal Agency Involved
!	Federal Fiscal Year(s) Involved
!	Date Response is Due
!	Prepared By

Federal disallowance notices will be filed by BFS with the Department of Administration and the Joint Committee on Finance within thirty calendar days of receipt by BFS. BFS will provide additional information as needed to comply with DOA procedures.

- 3. The program division will prepare the settlement proposal and submit it to the Director, BFS, within ten calendar days after the notice was received by the auditee.
- 4. Prior to taking final action to resolve a disallowance, BFS will submit to DOA a statement of action proposed to remove the liability. DOA may

approve, disapprove or approve with modifications, each proposed action. DOA provides a copy of the plan to the Joint Committee on Finance. Disallowance resolution proposals will be transmitted from the Secretary's office.

5. At the end of every quarter, BFS will prepare a report to DOA with details on unresolved disallowances and the status of efforts to resolve the disallowances. This report will be filed within thirty calendar days after the end of the quarter.

REFERENCES

Wisconsin Statutes, Section 16.544

AUDIT 1.0 (Audit Liaison and Resolution--DHSS Organizations)

CONTACT PERSON

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